

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **March 12, 2002**

AGENDA ITEM NO.: 17

CONSENT:

REGULAR: **X**

CLOSED SESSION:

(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: **FY 2003 Water and Sewer Rates**

RECOMMENDATION: Adopt an ordinance enacting the FY 2003 Water and Sewer Rates

SUMMARY: At the November 27, 2001 work session, City Council considered proposed revisions to water/sewer rates as recommended by the City's utility rate consultant, Pricewaterhouse Coopers. Over the past several years, annual rate adjustments have resulted in monthly bill increases to many residential and small business customers in the 8% to 10% range. The monthly bill increases for some of the City's largest water and sewer customers have been in the 15% to 18% range. These increases were required in order to maintain compliance with the state and federal mandates as included in the Special Order of the U. S. Environmental Protection Agency (EPA) for the orderly, long-term abatement of the combined sewer overflow (CSO) conditions. Effective July 1, 1998, the financial criteria stipulated in the Special Order were achieved. Although the Special Order criteria were achieved in 1998, subsequent rate increases are needed to ensure continued compliance with the Special Order.

FY2003 Utility Rate Strategy – the rate strategy for this year continues with the goals to:

- (a) Minimize the impact of rate adjustments on customers
- (b) Ensure necessary funding is provided for increases in operating and debt service costs
- (c) Ensure compliance with the Special Order for Combined Sewer Overflow correction between the City and the Department of Environmental Quality (DEQ)
- (d) Ensure compliance with adopted Fund Balance and Debt Management Financial Policies

PRIOR ACTION(S): November 27, 2001: City Council Work Session to review FY 2003 Utility Rate Study as prepared by Pricewaterhouse Coopers

FISCAL IMPACT: Total water revenues for FY 2003 are projected to increase by 3.2% as a result of rate increases and moderate increases in water use. FY 2003 operating expenses in the water fund are projected to increase by 3.3% over FY 2002 levels due to (a) inflation, and (b) assumed full employment in staff positions less impact of a reduction in one full time water plant operator position. Total sewer revenues for FY 2003 are projected to increase by 8.4% primarily due to the 10% proposed increase in the sewer volume rate. FY 2003 operating expenses in the sewer fund are projected to increase by 13.6% over FY 2002 levels due to (a) inflation, (b) assumed full employment in staff positions less impact of a reduction in one full time operator position at the wastewater treatment plant, (c) increased chemicals and electricity related to new odor control facilities, and (d) increased debt service to continue the CSO abatement initiative.

CONTACT (S): Michael W. Hill, Director of Financial Services (434) 847-1307/293
Bobbie Dalton, Accountant III, Finance Department (434) 847-1307/278

ATTACHMENT (S): Ordinance enacting the FY 2003 Water and Sewer rates
Summary comparing current monthly water and sewer rates with proposed FY 2003 rates

REVIEWED BY:

AN ORDINANCE TO AMEND AND REENACT SECTIONS 34-12.1, 39-54.1 AND 39-54.1.2 OF THE CODE OF THE CITY OF LYNCHBURG, 1981, AS AMENDED, THE AMENDED SECTIONS RELATING TO WATER AND SEWER RATES.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF LYNCHBURG:

1. That Sections 34-12.1, 39-54.1 and 39-54.1.2 of the Code of the City of Lynchburg, 1981, are hereby amended and reenacted as follows:

Sec. 34-12.1. Schedule of sewer rates.

(a) The monthly sewer rates for all consumers within the city shall be ~~\$3.70~~ \$4.07 per h.c.f. of water used, provided, however, that the rate of any party discharging industrial waste or processed water into the city system pursuant to an individual contract shall be provided in such contract.

(b) In addition to the sewer rates provided in this section, a high strength waste surcharge is established for all customers with discharges in excess of twenty-five thousand (25,000) gallons per day and having biological oxygen demand and/or suspended solids concentrations in excess of normal wastewater.

The surcharges shall be as follows:

(1) For BOD concentrations in excess of three hundred (300) milligrams per liter (MG/I), fifteen dollars and fifty-two cents (\$15.52) per one hundred (100) pounds.

(2) For suspended solids concentrations in excess of four hundred (400) milligrams per liter (MG/I), eighteen dollars and twenty-five cents (\$18.25) per one hundred (100) pounds.

(3) Truck hauled wastes disposal charges for residential and restaurant wastes as defined in Section 34-13 will be assessed at the following rates: one hundred seventy-seven dollars (\$177.00) up to a limit of 2,500 gallons of capacity and thirty dollars (\$30.00) for each 500 gallons of capacity over 2,500 gallons. Truck hauled wastes for special contract holders shall be charged in accordance to the terms of the contracting agreement.

(c) Annually, the director of financial services shall compute the average of each residential customer's level of monthly water consumption in hundred cubic feet (h.c.f.) for the most recent period beginning with the first billing in November and ending with the second billing in April. By multiplying this monthly average by 1.25, a seasonal consumption limit for sewer billing shall be derived for each residential account. This limit will apply during the period for the first billing in May through the second billing in October. This adjustment shall apply only to residential bills and shall not apply to any customers using water for the purpose of manufacturing or for commercial or multifamily dwellings.

Sec. 39-54.1. Schedule of water rates.

The monthly water rates for all consumers within the city shall be as follows:

| | |
|-------------------------------|--|
| 0-30 h.c.f. of water used | 1.62 <u>1.67</u> per h.c.f. |
| 31-700 h.c.f. of water used | 1.34 <u>1.40</u> per h.c.f. |
| over 700 h.c.f. of water used | 1.21 <u>1.27</u> per h.c.f. |

There shall be, in addition to any other charge, a monthly account charge of three dollars and sixty nine cents (\$3.69) per meter.

Sec. 39-54.1.2. Fire flow capacity charge.

The purpose of this charge is to recover the water system costs associated with providing fire protection and suppression capability from those customers with connections to the water system installed for the purpose of supplying water to on-site hydrants, standpipes, sprinkler systems or combinations thereof. The annual charges shall be as follows:

| | |
|----------------------------------|---------------------------------|
| Hydrant or 8" or small fire line | 193.80 <u>199.56</u> |
| 10" fire line | 384.00 <u>358.44</u> |
| 12" fire line | 552.00 <u>568.56</u> |

2. That this ordinance shall become effective for bills rendered on or after July 1, 2002.

Adopted:

Certified:

Clerk of Council

037L

RATE PROPOSALS

The following table provides a comparison of the current monthly water and sewer rates and the rates proposed for City Council approval, effective July 1, 2002. A summary of all water and sewer rates in effect over the past five years is included in Section I.

| | FY 2002 Revenue * | Current Rate | Proposed Rate | % Increase |
|--|----------------------|-----------------|------------------|---------------|
| Water | | | | |
| Block 1: (0-30 hcf) | \$3,900 | \$1.62 | \$1.67 | 3% |
| Block 2: (31-700 hcf) | 400 | 1.34 | 1.40 | 4% |
| Block 3: (700+ hcf) | 200 | 1.21 | 1.27 | 5% |
| | | | | |
| Sewer | | | | |
| Volume charge / hcf | 10,200 | \$3.70 | \$4.07 | 10% |
| BOD charge / 100 lbs. (a) | 26 | 15.52 | 15.52 | 0% |
| TSS charge / 100 lbs. (b) | 26 | 18.25 | 18.25 | 0% |
| Septic hauler charge | 322 | 177.00 | 177.00 | 0% |
| Industrial permit fee | 34 | 200.00 | 200.00 | 0% |
| | | | | |
| Fire Protection | | | | |
| Hydrants & 8" or smaller fire lines | 300 | \$16.15 | \$16.63 | 3% |
| 10" fire lines | 23 | 29.00 | 29.87 | 3% |
| 12" fire lines | 23 | 46.00 | 47.38 | 3% |
| | | | | |
| Availability Fees | | | | |
| Water | 125 | \$1,220 | \$1,220 | 0% |
| Sewer | 150 | 1,950 | 1,950 | 0% |
| | | | | |
| Connection Fees | | | | |
| Water | 78 | \$360 | \$500 | 38% |
| Sewer | 75 | 450 | 700 | 55% |
| | | | | |
| Other Charges | | | | |
| Meter charge | 938 | \$3.69 | \$3.69 | 0% |
| Cut-on charge | 20 | 15.00 | 15.00 | 0% |
| Cut-off charge | 100 | 25.00 | 25.00 | 0% |
| Delinquent account fee | 31 | 5% | 5% | 0% |

(a) BOD = Biological Oxygen Demand

(b) TSS = Total Suspended Solids

* FY 2002 revenue estimate in thousands of dollars.